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General
Bakeries
Limited

Annual Report
for the year
ended April 3
1968



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Limited**

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for the year
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EXECUTIVE OFFICES

170 THE DONWAY WEST

DON MILLS, ONTARIO

General Bakeries Limited

Directors

W. M. Vacy Ash—Toronto

Christie T. Clark—Toronto

J. C. P. Conrad—Toronto

Member of the Executive Committee

T. G. Gedge—Toronto

J. William Horsey—Toronto

Member of the Executive Committee

Edwin C. McDonald—New York

John A. McDougald—Toronto

Chairman of the Executive Committee

J. Ernest Savard—Montreal

S. R. Saxby—Montreal

J. P. Walwyn—Toronto

Officers

J. William Horsey—*Chairman of the Board*

J. C. P. Conrad—*President*

R. J. Langley—*Vice-President—Sales*

T. G. Gedge—*Vice-President and Secretary-Treasurer*

F. R. Filion—*Vice-President—Industrial Relations*

Auditors

Thorne, Gunn, Helliwell & Christenson, Toronto

Solicitors

Fraser, Beatty, Tucker, McIntosh & Stewart, Toronto

Registrar & Transfer Agent

Crown Trust Company, Toronto, Montreal and Vancouver

Bankers

Canadian Imperial Bank of Commerce

Banque Canadienne Nationale

The Bank of Nova Scotia

Financial Highlights

	1968	1967
Net income for the year - - - - -	\$ 501,362†	\$ 419,166
Equal per share to - - - - -	.67†	.56
Dividends declared - - - - -	187,500	187,500
Equal per share to - - - - -	.25	.25
Shareholders' equity - - - - -	4,977,901	4,802,039
Equal per share to - - - - -	6.64	6.40
Equity capital invested		
Working capital - - - - -	1,185,441	468,191
Special refundable tax - - - - -	46,226	45,788
Fixed assets, less accumulated depreciation -	4,308,233	4,657,059
Goodwill - - - - -	1	1
	5,539,901	5,171,039
Deduct:		
Term debt - - - - -	—	225,000
First mortgage payable - - - - -	270,000	—
Deferred income taxes - - - - -	292,000	144,000
	\$4,977,901	\$4,802,039
Gross expenditures for fixed assets during year -	\$1,490,272	\$ 837,636

† Including a non-recurring profit of \$250,765 on sale of western Canada businesses and expropriation of Toronto plant, equal per share to 33 cents.

Report to the Shareholders

for the year ended April 3, 1968

The past fiscal year was one of progress in which your company initiated the second phase of its long-range expansion plans first reported to you two years ago. It was a year of preparation for future growth. The newly acquired facilities of the Wonder Bakeries chain were being made ready to cope with major changes in production and distribution—personnel were selected and are being trained to operate on an expanded scale.

Despite this accomplishment, the year turned out to be a difficult one for your company. Day to day operating costs continued to mount and the price of our products remained depressed. It was especially difficult in the field of labour. We had three unfortunate strikes during the year, one of which was very bad and cut deeply into sales and profits. To make matters worse it came during the high volume Christmas season.

The statement reports consolidated sales of \$24,700,000 which compared with last year are down by 8%. However, in fiscal 1967, consolidated sales included a full twelve months from our former western operations. These operations were sold at the beginning of the 1968 fiscal year with the result that for comparison purposes sales from these divisions must be deducted from the 1967 figures. On the other hand only six weeks' sales from the Wonder Bakeries acquisition are included in this year's consolidated figures. With allowance for these adjustments, the comparable sales were actually increased by 4%.

Consolidated net income for the year was \$501,000 of which \$250,000 was income from operations, and \$251,000 was the profit from the sale of the bakery businesses in western Canada and the expropriation of the company's Toronto plant. This, of course, is a non-recurring item. In fiscal 1967 net income, all from operations, was \$419,000. Earnings on a per share basis were 67 cents this year compared with 56 cents last year.

As mentioned above, the western plants and businesses were sold since they were not profitable and the outlook was not very promising. The decision to concentrate on

more familiar and potential markets was an important one. It was our conviction that reallocation of our resources would more reliably assure improved earnings for our shareholders.

On February 19th, your company purchased the Wonder Bakeries operations in Ontario and Quebec from The Ogilvie Flour Mills. The integration brought together two of the largest bakery chains in Canada and is making it possible to consolidate production and improve our service to the trade and to our consumer customers. I am happy to report that the integration of the two companies is proceeding well. Even though we had made early plans on the assumption the two companies would come to terms, nonetheless it will be some time yet before all the difficulties of production and distribution are ironed out. The integration and consolidation is creating some extraordinary expenses and taxing the resourcefulness of our people. However, this was anticipated and is expected to continue for a while yet.

In my report to you last year, I stated the Toronto plant had been officially expropriated and indicated a replacement would require substantial capital funds. At that time we were working on plans for a new plant. These plans have since been set aside pending consolidation of the Wonder Bakeries acquisition.

Our production facilities were rearranged in such a manner that we are now operating five of the former Wonder Bakeries plants. The total over-all capacity of these plants together with the existing plants of General Bakeries is adequate for our present requirements with some provision

to take care of increased volume. This made it possible to delay the large capital investment for a new plant until a more appropriate time.

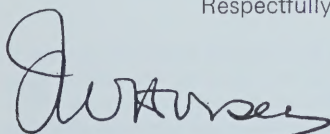
In addition to the purchase of assets and business we acquired all trademarks as well. A number of these brands are household words—the more prominent being the brand name “Wonder” for the bread varieties and “Hostess” for the cake and cookie lines. It is intended to actively promote these brands. This, in combination with the well-established popular General Bakeries products, provides an excellent opportunity for even deeper market penetration.

It was important to us that the integration of the two companies take place with a minimum of dislocation both within the organization and outside in the market place. In this respect I want to thank all those involved, with special tribute to those in our own company who burned the midnight oil over the past few months.

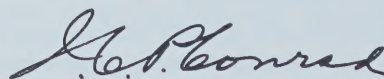
At the moment the situation is shaping up nicely and we look forward to better opportunities to increase your equity and company profits.

During the year your board reluctantly accepted the resignation of Mr. J. M. R. Corbet. Mr. Corbet joined the board in 1951 and since then has demonstrated a keen interest in the affairs of your company. His counsel will be greatly missed. At the same time it was our good fortune to have Mr. W. M. Vacy Ash, M.A. become a member of the board. Mr. Ash is an experienced and able corporate administrator and is a most welcome addition to the board of directors of your company.

Respectfully submitted on behalf of the Board of Directors.



Chairman of the Board



President

May 24, 1968

General Bakeries Limited

INCORPORATED UNDER THE LAWS OF ONTARIO

and subsidiary companies

<i>Assets</i>			
		1968	1967
CURRENT ASSETS			
Cash - - - - -		\$1,228,066	\$ 408,576
Accounts receivable, less allowance for doubtful accounts - -		1,931,069	943,443
Inventories, at lower of cost and net realizable value - - -		969,414	914,365
Prepaid expenses - - - - -		98,875	105,340
		<u>4,227,424</u>	<u>2,371,724</u>
SPECIAL REFUNDABLE TAX - - - - -		46,226	45,788
FIXED ASSETS, AT COST			
Land - - - - -		330,322	439,491
Buildings, machinery, delivery and other equipment - - -		9,689,879	11,162,109
		<u>10,020,201</u>	<u>11,601,600</u>
Less accumulated depreciation - - - - -		5,711,968	6,944,541
		<u>4,308,233</u>	<u>4,657,059</u>
GOODWILL - - - - -		1	1
		<u>1</u>	<u>1</u>
Approved on behalf of the Board			
JOHN A. McDOUGALD, <i>Director</i>			
J. WILLIAM HORSEY, <i>Director</i>			
		<u>\$8,581,884</u>	<u>\$7,074,572</u>

AUDITORS' REPORT

To the Shareholders of
GENERAL BAKERIES LIMITED

We have examined the consolidated balance sheet of General Bakeries Limited and subsidiary companies as at April 3, 1968 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Consolidated Balance Sheet,

April 3, 1968

WITH COMPARATIVE FIGURES AS AT APRIL 5, 1967)

<i>Liabilities</i>		1968	1967
CURRENT LIABILITIES			
Accounts payable and accrued liabilities - - - - -		\$2,995,108	\$1,838,385
Dividend payable - - - - -		46,875	46,875
Income taxes payable - - - - -		—	18,273
		<u>3,041,983</u>	<u>1,903,533</u>
TERM BANK LOAN - - - - -		—	225,000
6¾% FIRST MORTGAGE, payable \$27,000 semi-annually			
February 19, 1973 to August 19, 1977 - - - - -		270,000	—
DEFERRED INCOME TAXES (note 2) - - - - -		292,000	144,000

<i>Shareholders' Equity</i>			
CAPITAL STOCK			
Authorized			
50,000 preference shares of \$10 par value			
1,500,000 common shares of no par value			
Issued			
750,000 common shares - - - - -		1,034,750	1,034,750
RETAINED EARNINGS - - - - -		3,943,151	3,767,289
		<u>4,977,901</u>	<u>4,802,039</u>
		<u>\$8,581,884</u>	<u>\$7,074,572</u>

In our opinion these consolidated financial statements present fairly the financial position of the companies as at April 3, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change with respect to deferred income taxes referred to in note 2, with which change we concur.

Toronto, Canada, May 24, 1968

THORNE, GUNN, HELLIWELL & CHRISTENSON
Chartered Accountants

General Bakeries Limited and subsidiary companies

Consolidated Statement of Income

YEAR ENDED APRIL 3, 1968 (with comparative figures for year ended April 5, 1967)

	1968	1967
Sales - - - - -	\$24,700,346	\$26,931,804
Costs and operating expenses - - - - -	23,708,012	25,742,124
Operating income before the following items - - - - -	992,334	1,189,680
Depreciation - - - - -	581,493	670,468
Interest on long-term indebtedness - - - - -	5,766	13,841
	587,259	684,309
	405,075	505,371
Profit on disposal of fixed assets - - - - -	6,522	14,795
Operating income before income taxes - - - - -	411,597	520,166
Income taxes (note 2) - - - - -	161,000	101,000
Income from operations - - - - -	250,597	419,166
Profit on sale of bakery businesses in western Canada and expropriation of Toronto plant - - - - -	250,765	
NET INCOME FOR THE YEAR - - - - -	\$ 501,362	\$ 419,166

Consolidated Statement of Retained Earnings

YEAR ENDED APRIL 3, 1968 (with comparative figures for year ended April 5, 1967)

	1968	1967
Balance at beginning of year - - - - -	\$ 3,767,289	\$ 3,535,623
Accumulated deferred income taxes (note 2) - - - - -	138,000	—
Balance at beginning of year after reduction for deferred income taxes - - - - -	3,629,289	3,535,623
Net income for the year - - - - -	501,362	419,166
	4,130,651	3,954,789
Dividends declared - - - - -	187,500	187,500
BALANCE AT END OF YEAR - - - - -	\$ 3,943,151	\$ 3,767,289

General Bakeries Limited and subsidiary companies

Consolidated Statement of Source and Use of Funds

YEAR ENDED APRIL 3, 1968 (with comparative figures for year ended April 5, 1967)

SOURCE OF FUNDS	1968	1967
Operations		
Net income for the year - - - - -	\$ 501,362	\$ 419,166
Add items not involving a current outlay of funds:		
Depreciation - - - - -	581,493	670,468
Deferred income taxes - - - - -	10,000	4,000
	1,092,855	1,093,634
Book value of fixed asset disposals and retirements - - - -	1,257,605	3,102
Issue of first mortgage - - - - -	270,000	
	2,620,460	1,096,736
USE OF FUNDS		
Additions to fixed assets - - - - -	1,490,272	837,636
Dividends declared - - - - -	187,500	187,500
Decrease in term bank loan - - - - -	225,000	75,000
Increase in special refundable tax - - - - -	438	45,788
	1,903,210	1,145,924
INCREASE (DECREASE) IN WORKING CAPITAL - - - - -	717,250	(49,188)
Working capital at beginning of year - - - - -	468,191	517,379
WORKING CAPITAL AT END OF YEAR - - - - -	\$1,185,441	\$ 468,191

Notes to Consolidated Financial Statements

1. PURCHASE AND SALE OF BAKERY BUSINESSES

On February 19, 1968 the company acquired the bakery businesses formerly operated by Wonder Bakeries, including certain fixed assets. The operations are included in the consolidated statement of income from the date of acquisition.

The consolidated statement of income includes, for the year ended April 5, 1967, the operations of the bakery businesses in western Canada which were sold on April 6, 1967.

2. DEFERRED INCOME TAXES

In 1968 the basis of accounting for income taxes was changed to reflect deferred income taxes in the financial statements resulting from claiming capital cost allowances for income tax purposes in excess of the depreciation recorded in the accounts. In 1967 and prior years it was the company's practice to provide deferred income taxes only on accelerated capital cost allowances claimed under tax incentive legislation. An amount of \$138,000, representing the accumulated deferred income taxes to April 5, 1967, has been charged to retained earnings of which \$26,000 is applicable to the year ended April 5, 1967 and \$112,000 to prior years. The current year's deferred income taxes amounting to \$10,000 is included in income taxes for the year.

3. OTHER STATUTORY INFORMATION

The direct remuneration of directors and senior officers (as defined by The Corporations Act) amounts to \$150,026 for the year ended April 3, 1968.

General Bakeries Limited and subsidiary companies

Ten Year Financial Record

	1968	1967	1966	1965
OPERATIONS				
Net income for year - - - - \$	501,362†	\$ 419,166	\$ 629,463	\$ 602,040
Equal per share to* - - - -	.67†	.56	.84	.80
Dividends declared - - - -	187,500	187,500	187,500	159,375
Equal per share to* - - - -	.25	.25	.25	.21
FINANCIAL POSITION				
Current assets - - - - -	4,227,424	2,371,724	2,275,532	2,067,185
Current liabilities - - - - -	3,041,983	1,903,533	1,758,153	1,374,556
Working capital - - - - -	1,185,441	468,191	517,379	692,629
Special refundable tax - - -	46,226	45,788	—	—
Fixed assets—less accumulated depreciation - -	4,308,233	4,657,059	4,492,993	3,986,780
Total assets - - - - -	8,581,884	7,074,572	6,768,526	6,053,966
Term bank loan- - - - -	—	225,000	300,000	450,000
First mortgage payable - - -	270,000	—	—	—
First mortgage serial bonds - -	—	—	—	—
Deferred income taxes - - - -	292,000	144,000	140,000	101,000
Shareholders' equity - - - -	4,977,901	4,802,039	4,570,373	4,128,410
Equal per share to* - - - -	6.64	6.40	6.09	5.50

*Per share figures are adjusted to reflect three-for-one stock split effective July 2, 1964.

†Including a non-recurring profit of \$250,765 on sale of western Canada businesses and expropriation of Toronto plant, equal per share to 33 cents.

1964	1963	1962	1961	1960	1959
\$ 501,324	\$ 361,495	\$ 302,078	\$ 240,975	\$ 251,486	\$ 239,832
.67	.48	.40	.32	.33	.32
125,000	100,000	100,000	100,000	87,500	75,000
.17	.13	.13	.13	.12	.10
2,086,495	1,926,094	1,683,492	1,549,053	1,677,575	1,484,379
1,567,198	1,503,159	1,419,994	1,314,902	1,236,106	1,183,155
519,297	422,935	263,498	234,151	441,469	301,224
—	—	—	—	—	—
3,906,447	3,766,485	3,804,427	3,661,696	3,713,403	3,829,662
5,992,943	5,692,580	5,487,920	5,210,750	5,390,979	5,314,042
700,000	800,000	900,000	890,000	1,250,000	1,350,000
—	—	—	—	—	—
40,000	80,000	120,000	160,000	200,000	240,000
—	—	—	—	—	—
3,685,745	3,309,421	3,047,926	2,845,848	2,704,873	2,540,887
4.91	4.41	4.06	3.79	3.61	3.39

General Bakeries Limited and subsidiary companies

Mammy's Limited
The Walker Bakeries Limited
General Bakeries (N.B.), Limited
O'Malley's Limited
The Marra's Bread Limited
Ellenzweig Bakery Co. Limited
Wonder Bread Limited

Plants and Offices

St. John's
Dartmouth
Saint John
Montreal
Ottawa
Brockville
Kingston
Toronto
Orillia
Hamilton
London
Amherstburg

Executive Offices

170 The Donway West
Don Mills, Ontario

MONTREAL 3,
P.O. BOX 250
845-6108

FINANCIAL COUNSEL

— ESTABLISHED 1925 —

TORONTO 1,
6 Adelaide St., E.
368-1674

AR25

Press Article Authorized by:

file
General Bakeries Limited,
170 The Donway West, Don Mills,
Toronto, Ontario.

● FOR RELEASE

SATURDAY
JUNE 8-68

OPERATING INCOME GENERAL BAKERIES LOWER-PREPARES FOR FUTURE GROWTH

Net income of General Bakeries Ltd. of \$501,362 (67 cents a share) for year ended April 3, 1968 compares with \$419,166 (56 cents) last year. Latest year's results include a non-recurring profit of \$250,765 (33 cents a share) on sale of bakery businesses in Western Canada and expropriation of Toronto plant.

Sales on a comparable basis were four per cent higher. Reported volume of \$24,700,346 was eight per cent below \$26,931,804 which included a full 12 months from former Western operations while only six weeks' sales from Wonder Bakeries were included in 1968.

The year was one of progress in which the second phase of the long-range expansion plan was initiated, J.C.P. Conrad, president, reports. It was one of preparation for future growth. Integration of Wonder Bakeries is proceeding well.

Despite this accomplishment, the year was a difficult one, Mr. Conrad states. Operating costs mounted and prices remained depressed. There were three strikes one of which cut deeply into sales and profits.

Plans for a new Toronto plant have been set aside pending consolidation of the Wonder Bakeries acquisition. Production facilities have been rearranged. Total overall capacity of five former Wonder Bakeries plants together with existing General Bakeries plants is adequate for present requirements with some provision to handle the increased volume.

Working capital of \$1,185,441 at April 3, 1968 was \$717,250 higher. Capital additions totalled \$1,490,272 during the year. Retained earnings were \$3,943,151 at April 3.

General Bakeries Ltd.

	Year Ended April 3-68	Year Ended April 5-67
<u>Profit & Loss</u>		
Sales	\$24,700,346	\$26,931,804
Oper.Costs	23,708,012	25,742,124
Oper.Profit	992,334	1,189,680
Depreciation	581,493	670,468
Interest	5,766	13,841
	405,075	505,371
Sale Assets	6,522	14,795
	411,597	520,166
Income Taxes	161,000	101,000
Income-Operations	250,597	419,166
Misc.Income (a)	250,765	---
Net Income	501,362	419,166
Prev.Surplus	3,767,289	3,535,623
	4,268,651	3,954,789
Def.Inc.Taxes	138,000	---
Dividends	187,500	187,500
Ret'd Earnings	\$ 3,943,151	\$ 3,767,289
Net Per Share	67¢	56¢
Paid Per Share	25¢	25¢

(a) Represents profit on sale of bakery businesses in Western Canada and expropriation of Toronto plant.

<u>Assets</u>	April 3-68	April 5-67
Cash	\$ 1,228,066	\$ 408,576
Receivables	1,931,069	943,443
Inventories	969,414	914,365
Prep.Exp's	98,875	105,340
Current Assets	4,227,424	2,371,724
Refund.Tax	46,226	45,788
Fixed Assets (x)	4,308,233	4,657,059
Goodwill	1	1
Total Assets	\$ 8,581,884	\$ 7,074,572

<u>Liabilities</u>	April 3-68	April 5-67
Payables	\$ 2,995,108	\$ 1,838,385
Dividends	46,875	46,875
Income Taxes	---	18,273
Current Liabilities	3,041,983	1,903,533
Bank Loan	---	225,000
Mortgage (y)	270,000	---
Def.Inc.Taxes	292,000	144,000
Capital (z)	1,034,750	1,034,750
Ret'd Earnings	3,943,151	3,767,289
Total Liabilities	\$ 8,581,884	\$ 7,074,572

(x) After accumulated depreciation-\$5,711,968 in 1968;
\$6,944,541 in 1967.

(y) 6¾% 1st mortgage, payable \$27,000 semi-annually Feb.19/73
to Aug.19/77.

(z) 750,000 common shares outstanding.

Working Capital	\$ 1,185,441	\$ 468,191
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